

VZCZCXRO4154
OO RUEHBC RUEHDE RUEHIHL RUEHKUK
DE RUEHGB #3550/01 2670615
ZNY CCCCC ZZH
O 240615Z SEP 06 ZDK ZUI RUEHDM 7495 SVC
FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7045
INFO RUCNRAQ/IRAQ COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 003550

SIPDIS

SIPDIS

E.O. 12958: DECL: 09/17/2026

TAGS: [ENRG](#) [EPET](#) [IR](#) [IZ](#) [TK](#)

SUBJECT: IRAQ AGAIN FACING KEROSENE SHORTAGE IN WINTER

BAGHDAD 00003550 001.2 OF 002

Classified By: CDA DANIEL SPECKHARD, EO 12958, REASONS 1.5 (B) AND (D)

1.(C) In a September 17 meeting with the Econ Minister-Counselor and the IRMO Senior Oil Consultant, Dr. Falah J. Alamri, Director General of the State Oil Marketing Organization (SOMO), warned that Iraq faces a potentially serious shortage of kerosene this winter. Kerosene is Iraq's principal home heating fuel. Since production can not keep up with demand in the winter months, it is necessary to begin stockpiling kerosene in the summer. Alamri claimed that gasoline shortages this summer caused a reallocation of dollars from kerosene to gasoline, resulting in reduced kerosene imports. As a result, Iraq has only 30,000 metric tons (MT) in storage now, as opposed to 150,000MT a year ago.

2.(C) Alamri said that daily demand for kerosene during the cold season (length undefined) is 14,000MT per day. National production capacity is 6,000MT/day. (Note: Current production is slightly below 6,000). Currently, SOMO is importing 350/day from Kuwait and 400MT/day from Syria. Both figures are half or less of the nominal, contracted quantities. Alamri said that imports from Iran have not yet begun due to a technical specification problem, and imports from Turkey have stopped pending payment of charges for past shipments. Currently, Iraq is consuming all of the kerosene that it imports and produces, so no additions to the stockpile are being made for winter use. The impending shortage of kerosene for 2006 follows shortages in 2003, 2004 and 2005.

3.(C) Alamri's goals are to increase imports from Kuwait to 1,500MT/day and from Syria to 1,000MT/day, start importing 1,600MT/day from Iran and resume shipments from Turkey. Even if the import targets from Iran, Kuwait and Syria are met, SOMO will still be short 3,900MT/day during winter months. This figure would be reduced by the quantity of kerosene purchased from Turkey, but Alamri realizes that he must first negotiate a settlement with the Turks for past, overdue fuel payments in order to restart shipments.

4.(C) (Note: Alamri's figures are at variance with IRMO data, which indicates a winter demand of 8500MT/day, but the shortfall remains similar. Since January 1, 2006, combined production and imports equaled demand for only one week. Imports never exceeded 2800MT/day. For five weeks in mid-summer Iraq imported no kerosene, and weekly production fell to as low as 18% of weekly demand.)

5.(C) Alamri explained that in February of this year, SOMO and the GOT negotiated payment of \$950 million past due fuel charges from 2005. SOMO agreed immediately to pay \$650 million in 9 monthly installments, with the balance subject to further verification. SOMO has since agreed that they owe \$200 million of the remainder, leaving approximately \$100 million still to be resolved. Although, according to Alamri, the Prime Minister has ordered the Ministry of Finance to release the \$200 million, MOF is still refusing to do so.

Alamri said that he is going to Turkey next week to try to resolve this issue, but he will not have the \$200 million and will be attempting to barter HFO (which Iraq already exports to Turkey) for kerosene with Turkish fuel companies. (Note: Several days after our meeting, Alamri told the IRMO senior oil consultant that he had found \$50 million within MoO's budget to help pay the \$200 million. Alamri said that he will propose to the GOT that he pay the \$50 million now and the remainder in four installments (also from MoO funds). Nevertheless, the MOF is increasingly the focal point of Iraq's inability to execute its budget. Post will be following up with MOF to press for release of the \$200 million, irrespective of Alamri's efforts to solve the problem with MoO dollars.)

6.(C) Comment: In a separate meeting with Minister of Electricity Karim Walid Hasan, the minister said that MoE's winter peak is equal to its summer peak, even though there is a huge demand for power in the summer to run air conditioners. Husan attributed the winter peak to the use of electric space heaters. This means that a kerosene shortage does not exactly translate to a lack of home heating of equal magnitude. Given the chronic electricity shortages, however, homeowners are probably not able to rely on electricity as their sole source of home heating. End Comment.

BAGHDAD 00003550 002 OF 002

SPECKHARD